

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 438 – SB 1250

May 8, 2017

SUMMARY OF ORIGINAL BILL: Creates the State Energy Policy Council within the Department of Environment and Conservation (TDEC) to advise and make recommendations to the Governor and to the General Assembly on: identifying all state energy resources to ensure a secure, stable, and more predictable energy supply; managing the use of energy resources; and increasing domestic energy exploration, development, and production within the state and region, for promoting economic growth and job creation while ensuring the protection and preservation of the state's natural resources, cultural heritage, and quality of life.

Requires the council to compile an annual report assessing the energy sector in this state, and develop an ongoing comprehensive state energy policy plan to achieve maximum effective management and use of present and future sources of energy. Authorizes the policy to include energy efficiency, renewable and alternative sources of energy, research and development into alternative energy technologies, and improvements to the state's energy infrastructure and energy economy, including smart grid and domestic energy resources to include natural gas, coal, hydroelectric power, solar, wind, nuclear energy, and biomass. Requires the creation of an annual energy policy plan that recommends necessary energy legislation to the Governor and to the General Assembly, the promulgation of necessary rules to regulatory boards charged with administering Title 68 of Tennessee Code Annotated, and the implementation and modifications of energy policy, plans, and programs as the council considers necessary.

Requires powers, duties, and functions of the council to be as prescribed by the TDEC with direct input from the Office of Energy Programs (OEP). Requires the council to serve as the central energy policy planning body of the state and communicate and cooperate with federal, state, regional, and local bodies and agencies for the purpose of affecting a coordinated energy policy. Establishes that the council will be comprised of 13 non-legislative members. Requires that members be reimbursed for travel and other necessary expenses incurred in the performance of official duties in accordance with the state comprehensive travel regulations as promulgated by the commissioner of Finance and Administration and approved by the Attorney General and Reporter. Requires the council to adopt and implement a conflict of interest policy. Requires the council to meet quarterly, and the members to be physically present at a minimum of two quarterly meetings each calendar year. Requires the council to compile, compose, publish, and transmit two annual comprehensive reports to the Governor and the Speakers of the Senate and House of Representatives: an annual assessment of the state's energy sector that will be facilitated by the Baker Center for Public Policy; and a report to create a comprehensive state energy policy plan. Creates a special account in the State Treasury to be known as the Energy Policy Development Resources Fund. Requires a grant to be disbursed from the Fund in an annual amount of \$50,000. States the legislative intent that an annual amount be appropriated each fiscal year in the general appropriations act for awarding a grant. Adds the council to the

HB 438 – SB 1250

sunset cycle provisions under the *Tennessee Governmental Entity Review Law*, thereby creating a termination date for the council of June 30, 2019.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$233,300

SUMMARY OF AMENDMENTS (008074, 008659): Amendment 008074 deletes and rewrites the bill such that the substantive changes are: attaching the state energy policy council to the Office of the Comptroller of the Treasury (COT) for administrative matters relating to budget, audit, and other related items only, instead of TDEC; creating an energy policy development resources fund account in the State Treasury requiring COT to administer such account; requiring all applications and requests by the council for grants and other revenues to be made through and administered by the COT; and authorizing the council to request the COT to allocate and dispense funds for energy research and related work. Establishes that the Energy Efficient Schools Initiative of 2008 or provisions thereof shall not be amended or repealed due this chapter. Establishes that the council will be comprised of 14 non-legislative members instead of 13 non-legislative members.

Amendment 008659 deletes and replaces language in the bill as amended such that the only substantive changes are requiring the Speaker of the Senate to appoint one residential energy user to the membership instead of two, and adding one representative of industries providing natural gas to Tennessee consumers to such membership.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures – Exceeds \$73,200

Assumptions for the bill as amended:

- The recurring increase in state expenditures for associated costs for the council is estimated to be \$12,000 (\$7,000 for printing + \$5,000 for meeting expenses).
- Assuming that 12 of the 14 council members attended a minimum of two meetings each year, the recurring increase in state expenditures for travel and related costs is estimated to exceed \$11,162 (\$5,580.98 per diem x 2 meetings).
- It is estimated that an additional recurring appropriation of \$50,000 would be required for grants in order to accomplish the requirements of the proposed legislation.
- It is assumed that recurring appropriations from the General Fund will be required to effectuate the purpose of this legislation as amended.
- The recurring increase in state expenditures from the General Fund is estimated to exceed \$73,162 (\$12,000 + \$11,162 + \$50,000).

- The Comptroller of the Treasury, Division of Audit, will accommodate any additional auditing responsibilities as a result of the addition of the council to the statutory sunset provisions utilizing existing resources without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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